

State Senator Mike Prusi's Capitol Update

January 2006



Welcome to the January 2006 edition of my Capitol UPDATE E-Newsletter. I greatly appreciate the opportunity to represent you in Michigan's 38th Senate District, stretching from Ironwood to Luce County and from Copper Harbor to Menominee. As continuing work on the state budget often forces me to spend a great deal of time down in Lansing that I would rather spend Up North, I hope this monthly E-newsletter will keep you informed of the latest news from Lansing and how it will affect life in the U.P. Additionally, beginning next month, Capitol UPDATE will be available on my website at www.senate.michigan.gov/prusi.

U.P Update

Closures Avoided

Last year, it seemed as though you couldn't pick up a newspaper or turn on a radio or TV in the U.P. without reading of another downstate budget attack. From the proposed closures of Newberry Correctional Facility, Camp Manistique, the Iron River State Police Post, and the Ishpeming Secretary of State office, to outrageous GOP higher education formula proposals that would have slashed state funding to NMU, it certainly was a long year. In fact, the House GOP formula would have stripped \$14 million from Northern Michigan University, a 31-percent decrease, over 5 years. While cutting NMU's funds, the formula would have given more money to other downstate schools in Republican districts, including a 27-percent increase for Oakland University, a 25-percent increase for Grand Valley State University, and a 16-percent increase for Central Michigan University.

However, with Governor Granholm's assistance, I worked with my U.P. colleagues to prevent the closure of Newberry Correctional Facility, Camp Manistique and the Iron River State Police Post. We also were able to prevent drastic cuts to NMU, and forged a budget compromise that treaded all state universities fairly. Unfortunately, however, despite the best efforts of myself and Rep. Steve Adamini (D-Marquette), Secretary of State Terri Lynn Land still forced the closure of the Ishpeming Secretary of State (SOS) office.

This closure will negatively effect anyone in Western Marquette County and Eastern Baraga County who needs to do business with the SOS. Thousands of people signed a petition opposing this closing. The people in Marquette County deserve the same access to SOS services as people in the rest of the state. In fact, Rep. Adamini presented Secretary of State Land with a petition of 6,870 signatures from Marquette County residents against the closing.

The consolidation is fiscally irresponsible because the lease for the consolidated Secretary of State Offices is nearly \$20,000 more than the individual office leases combined, with be no reduction in personnel. Quite simply, Secretary Land's decision to close the Ishpeming office wastes taxpayer money, reduces access to SOS services, and ignores the wishes of Marquette County residents. Unfortunately, while we were able to beat back the other budget attacks on the U.P., the Ishpeming SOS office is now closed in favor of a new Marquette County "PLUS" office at 2025 U.S. 41 West, in the Marquette Mall.

UP-EMS

The 2006 Executive Budget for the Michigan Department of Community Health (MDCH) called for the cancellation of the MDCH contract with UPEMS (U.P. Emergency Management System) and Southwest Michigan Systems (SWMS). These two agencies have contracted with MDCH for nearly 26 years to provide training and other services to first responders throughout the State. UPEMS effectively coordinates the education, testing, and training of ambulance personnel, first responders, and volunteers in the U.P., and also conducts inspections of the state's ambulance fleet.

I strongly believed elimination of this contract would have had a detrimental effect on individuals and agencies served by UPEMS and a significant negative impact on the coordination and delivery of emergency services in many remote, underserved areas of the state, especially considering long travel and winter weather considerations in the U.P. MDCH had proposed eliminating the contract with UPEMS and SWMS, and instead hiring six civil service staffers to handle the statewide EMS training and examination duties. This would have more than likely resulted in a service reduction of approximately 50-percent. While I normally prefer having state employees do as much as possible, the overwhelming sentiment from the EMS community was to keep the service they had.

After months of continuous efforts by myself and my fellow colleagues in the U.P. legislative delegation, including Representatives Rich Brown, Steve Adamini, and Gary McDowell, the contract needed for UPEMS to remain in operation will be renewed. I am pleased that Gov. Granholm stepped in on behalf of U.P. residents and directed the Department of Community Health (MDCH) reconsider an earlier decision to eliminate the contract and reorganize these services internally.

Lansing Update

State budget outlook for 2006-2007

On January 12th, the Senate and House Appropriations Committees met jointly for a bi-annual Consensus Revenue Sharing Conference, at which an agreement on the amount of revenue the state is expected to fund the upcoming Fiscal Year with is reached. The Committees also heard testimony from professional economists regarding their forecasts on both the state and national economies. The conference is held in January and May of each year.

State revenues are expected to increase mildly for FY 07, while the FY 06 General Fund budget is expected to end this fall with a slight surplus. Additionally, the School Aid Fund (SAF) is in even better shape, with a surplus of \$117.2 million expected when FY 06 ends and a projected FY 07 surplus of \$454 million. As such, no cuts will need to be made to K-12 Education, which may likely see an overall increase. This kind of balance could finance about a \$275 per pupil increase in the foundation allowance if the surplus is not spent in smaller chunks (such as HB 5436 which funds the middle school math initiative at \$18.5 million or HB 5452 which increases the foundation allowance by up to \$49 for schools under \$7,200 per pupil at a cost of \$16.5 million).

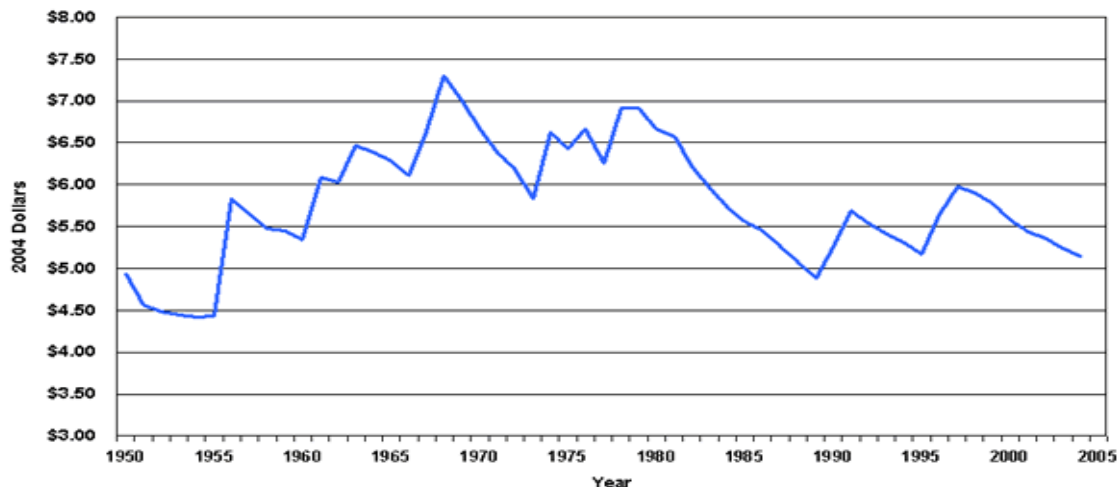
However, the state budget office has stated that the “surplus” is not real, due to unavoidable spending pressures. The Conference is forecasting a FY 07 General Fund deficit of \$519.2 million. While revenues are expected to increase slightly on paper compared to FY 06, these spending pressures, such as negotiated state employee salary increases, increased health care costs, increased debt service payments, business tax reductions, Temporary Assistance to Needy Families (TANF) maintenance-of-effort, and Medicare caseload growth of \$148 million coupled with related federal cuts, will contribute to the challenge of balancing the FY 07 budget.

For FY 07, weak revenue growth in the General Fund budget would mean that only a continuation budget could be supported and only if no new spending pressures arise. This means that the deficit must be resolved before any proposed increases over current-year funding levels for higher education, Medicaid, corrections, revenue sharing, or any new tax cuts. While the struggling auto industry is presenting continual challenges to both the state budget and the job outlook for the state as a whole. However, exciting initiatives such as the Governor’s 21st Century Jobs for Michigan Fund present opportunities for businesses to invest and diversify our economy, and I look forward to rolling up my sleeves and continuing to work to create good-paying jobs for U.P. residents and all of Michigan.

Minimum Wage

In a past issue of my Capitol UPDate, I wrote about Senate Democrats’ efforts to raise the minimum wage. As I noted, I introduced legislation to tie yearly increases in the minimum wage to inflation, and co-sponsored legislation that would increase the state’s minimum wage incrementally from \$5.15 per hour to \$7.15 per hour over the next two years. Since then, efforts have been underway to place a minimum wage increase on the November ballot, similar to this legislation. The chart below demonstrates what the minimum wage would be worth in real dollars since 1950. As it shows, the real purchasing power of the minimum wage for working families is further eroded in every year that the federal government fails to enact even an inflationary increase. In fact, the minimum wage has not had an increase whatsoever for eight years, even given the robust economic times of the late 90s!

Figure 1: Real value of the federal minimum wage, 1950-2004



Whether this proposal ends up on the November general election ballot remains to be seen. However, for more information on these and other bills recently introduced to address the minimum wage in Michigan, I encourage you to visit www.higherminimumwage.com.

Contact My Office

I hope you find the information in this E-Newsletter to be useful. The Internet is a great way to keep in touch with the latest news in state government. Please feel free to contact my office if I can ever be of any assistance to you on a particular area of interest or concern.

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* Senator Prusi is the Minority Vice-Chair (MVC) of the Senate Appropriations Committee. He serves on the Capital Outlay (MVC), Commerce, Labor, & Economic Development (MVC), Judiciary & Corrections, and Higher Education Appropriations Subcommittees.

If you wish to discontinue receiving this E-Newsletter, simply reply to my office at senmprusi@senate.michigan.gov, and you will be removed from the mailing list.